

Redeveloping the Jefferson Houston Site through Innovative Financing

Joint Work Session
Alexandria City Council
Alexandria City School Board
June 22, 2010

Tonight's Objectives:

- Obtain Council and School Board consensus to:
 - Develop City/Schools MOU to proceed with development planning
 - Continue to explore the public/private funding partnership and other financial mechanisms
- Discuss public elements
- Review site's development potential

Agenda

- Introduction and Project Overview
- Project Design
- Public Private Partnership Financing Mechanism
- Economic Analysis
- Next Steps
- Questions and Answers

Context of the Project

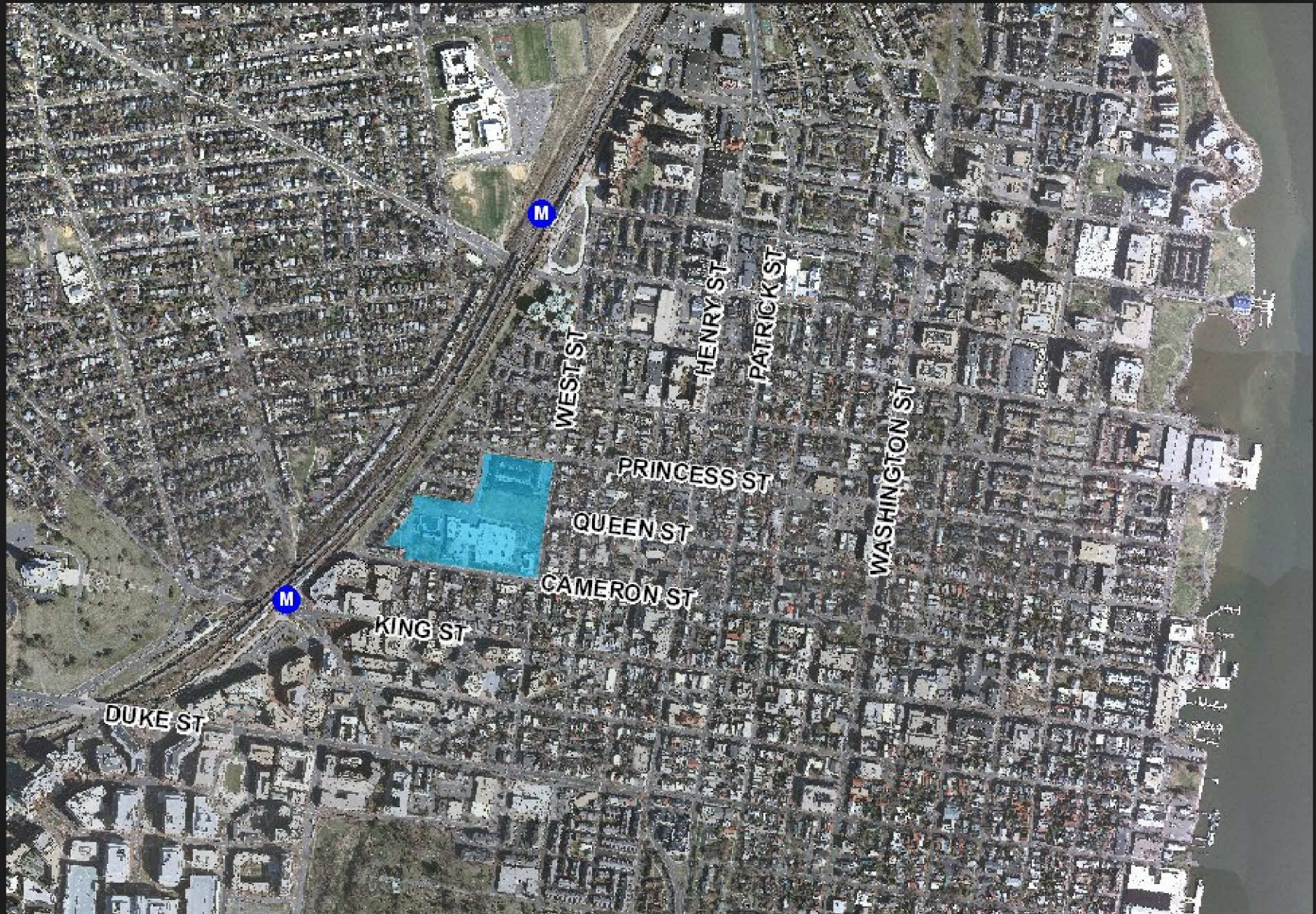
- Facilities needs assessment indicated an \$11 million required maintenance investment over the next 20 year period in Jefferson Houston property
- Increase in student population straining school physical capacity throughout the City
- Current rental of school administrative offices not economically sound over the long term
- Long-term City CIP funding constraints require innovative approaches to financing capital projects
- Proximity to metro provides opportunity for private development and financing of project

Planning Steps Taken to Date

- Engaged CB Richard Ellis to assist in assessing options for capital development
- Conducted economic feasibility analysis of the building vs. leasing the ACPS central office
- Analyzed long term growth and capacity for elementary classroom needs
- Prepared construction cost estimates and schedule for stand alone ACPS central office facility
- Developed preliminary cost estimates for public elements on the Jefferson Houston site
- Prepared site density and component analysis
- Developed preliminary economic analysis of the public and private components on the site
- Briefed Board, Council, and community groups on planning done to date

Jefferson Houston Project

LOCATION



Jefferson Houston Project

EXISTING PUBLIC FACILITIES



Jefferson Houston Project

DEVELOPMENT POTENTIAL

Development Potential
(requires rezoning)
Existing Zone: RB & POS

Without ARHA Property

FAR 1.5 – 679,536 sf

FAR 2.0 – 906,048 sf

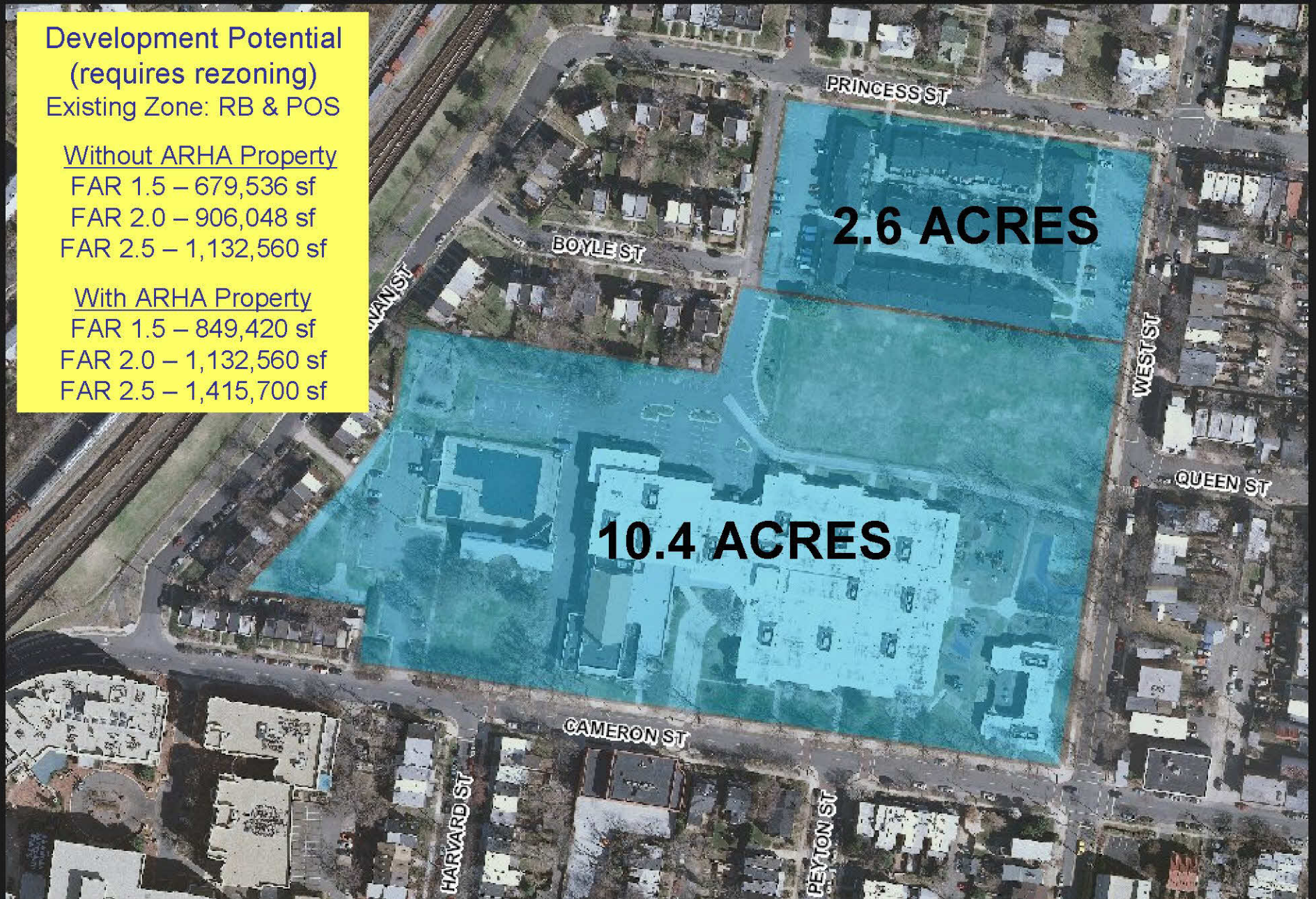
FAR 2.5 – 1,132,560 sf

With ARHA Property

FAR 1.5 – 849,420 sf

FAR 2.0 – 1,132,560 sf

FAR 2.5 – 1,415,700 sf



Basic Assumptions and Planning Principles:

- Plan development to maximize value due to proximity to King Street Metro in order to fund school and other public facilities
- Maintain same level of public facilities and/or increase service capacity
- Provide appropriate land uses and a stepping of buildings to assure compatibility with the surrounding neighborhood
- Respect Old and Historic and Parker Gray communities
- Extend the street grid and manage traffic impacts
- Provide underground parking that is adequate to site uses
- Recognize the significant end of Queen Street with park, civic building, or both
- Keep the buffer of mature trees along Cameron Street
- Maintain significant ground level open space

Jefferson Houston Project

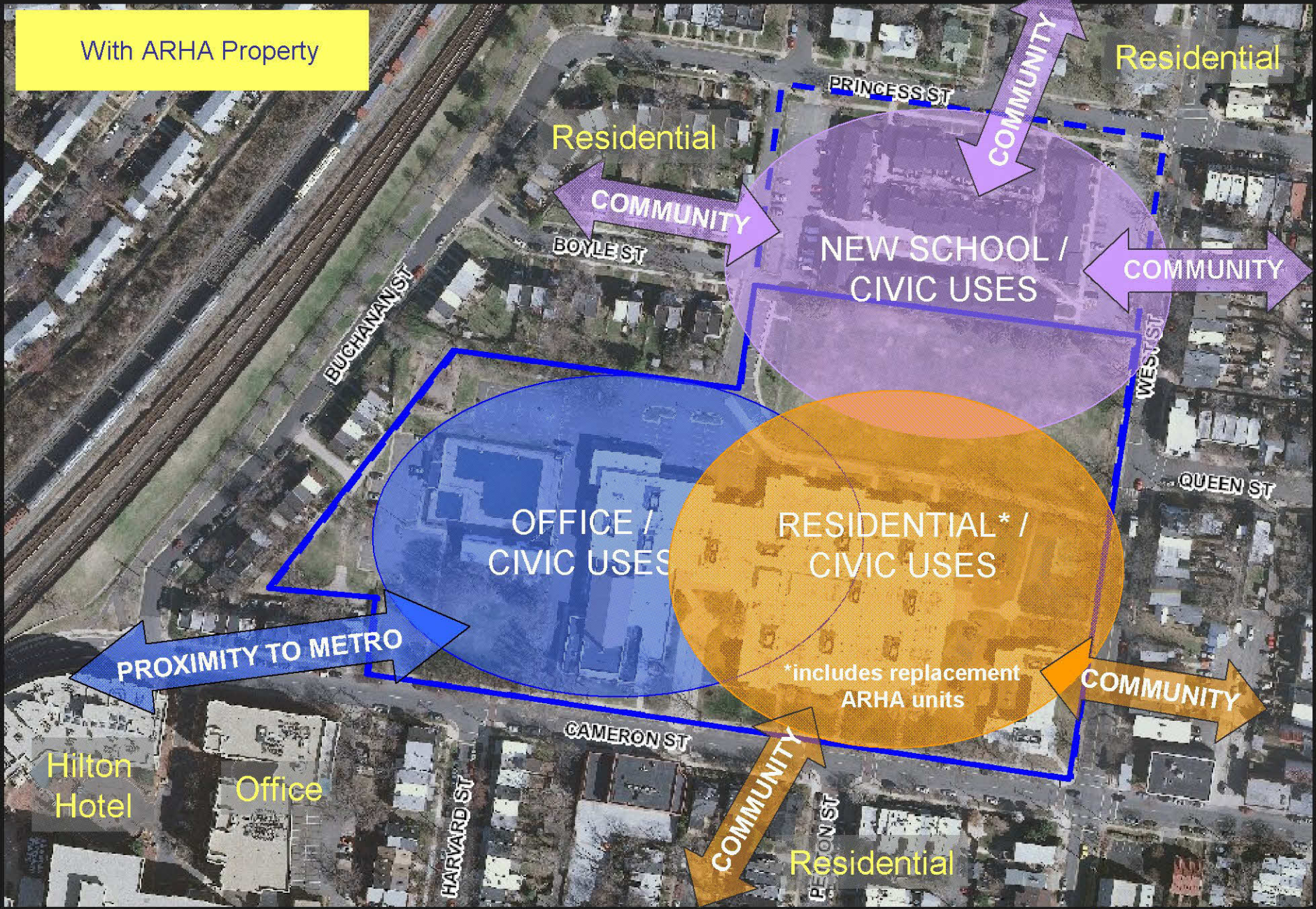
POTENTIAL USES



Jefferson Houston Project

POTENTIAL USES

With ARHA Property



Jefferson Houston Project

POTENTIAL HEIGHTS

Without ARHA Property



Jefferson Houston Project

POTENTIAL HEIGHTS

With ARHA Property





Jefferson Houston Project

FAR COMPARABLES



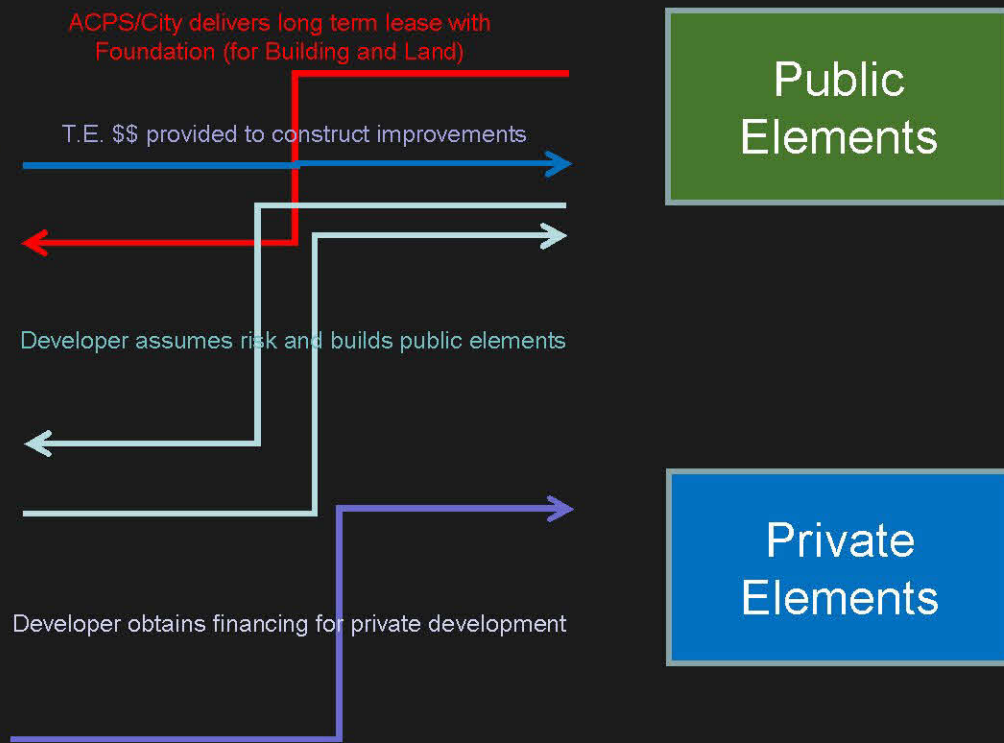
Public Private Partnership

- 1. Community engaged
Development Concept established
RFP Issued
Developer Selected

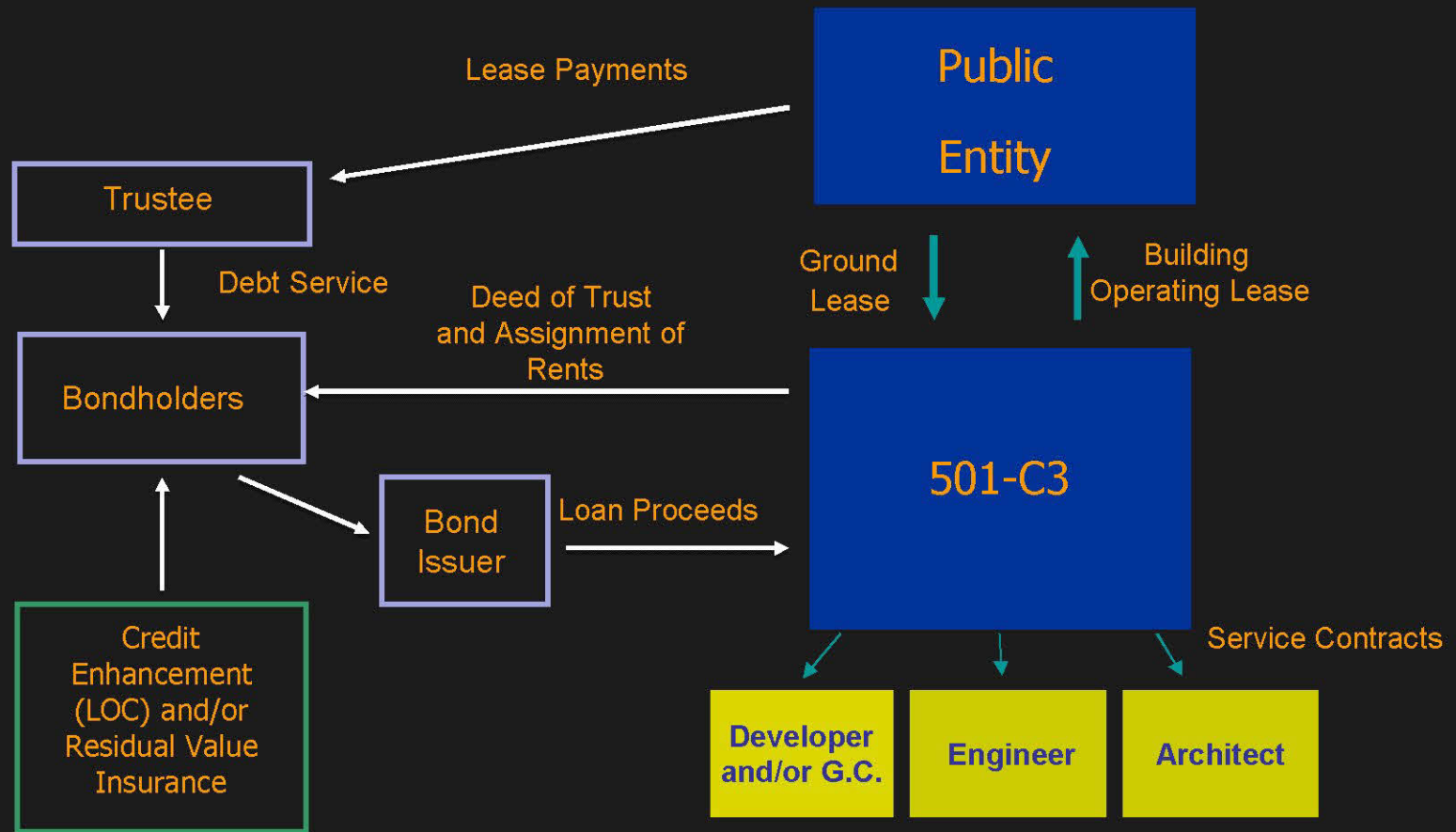
- 2. Foundation formed/ID'd to issue tax exempt debt for public elements
(School, Performing Arts Center, Pool, Central Office)

- 3. ACPS/City enter into development agreement with Developer through Foundation to construct Public Elements.

- 4. Developer assumes delivery risk and constructs improvements to bid specs

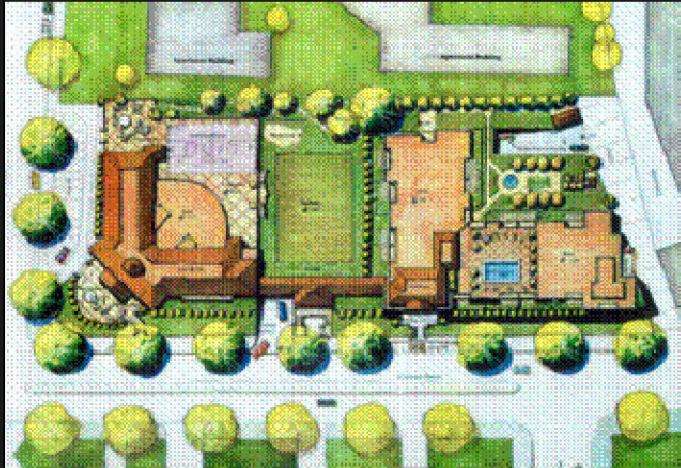


Typical Transaction Structure



Advantages for Public Sector

- Lease costs far below current market lease rates
- A cost of funds (and occupancy) closely equivalent to the organization's own debt rates
- Ability to fund specialized buildings or improvements that would not typically be appealing to conventional landlords
- Control of future property residual value through the ground lease reversionary rights, and the declining-price purchase option
- Complete financial "transparency" for all costs and expenses
- Operating lease accounting treatment (off-balance sheet), allowing preservation of balance sheet and financial ratios
- (In most jurisdictions) exemption from sales taxes on construction materials and portion or all of property taxes
- Opportunity to generate tax revenue on private development (real estate, sales, etc.). Taxes can be used to underwrite public elements, TIF, etc. (Lockbox/PILOT)



Oyster School

- Small urban site
- Disposition of ½ site
- New school in exchange for residential Development Rights

Results:

- 1st new school in DC in 20 years
- No out of pocket cost to taxpayers





Tulsa City Hall

- ½ building preleased to private sector
- Private leasing, financing of purchase and guarantees facilitated acquisition

Results:

- Acquired building at 20% of replacement cost
- Scheduled to save \$1 million operating costs per year.

The George Washington University

- Dispose of site to generate income for University

Results:

- Largest ground lease in DC history
- \$220M Net Present Value to finance core academic mission of the University
- 60 year partnership w/ Boston Properties



Jefferson Houston Project



PUBLIC/PRIVATE PARTNERSHIPS



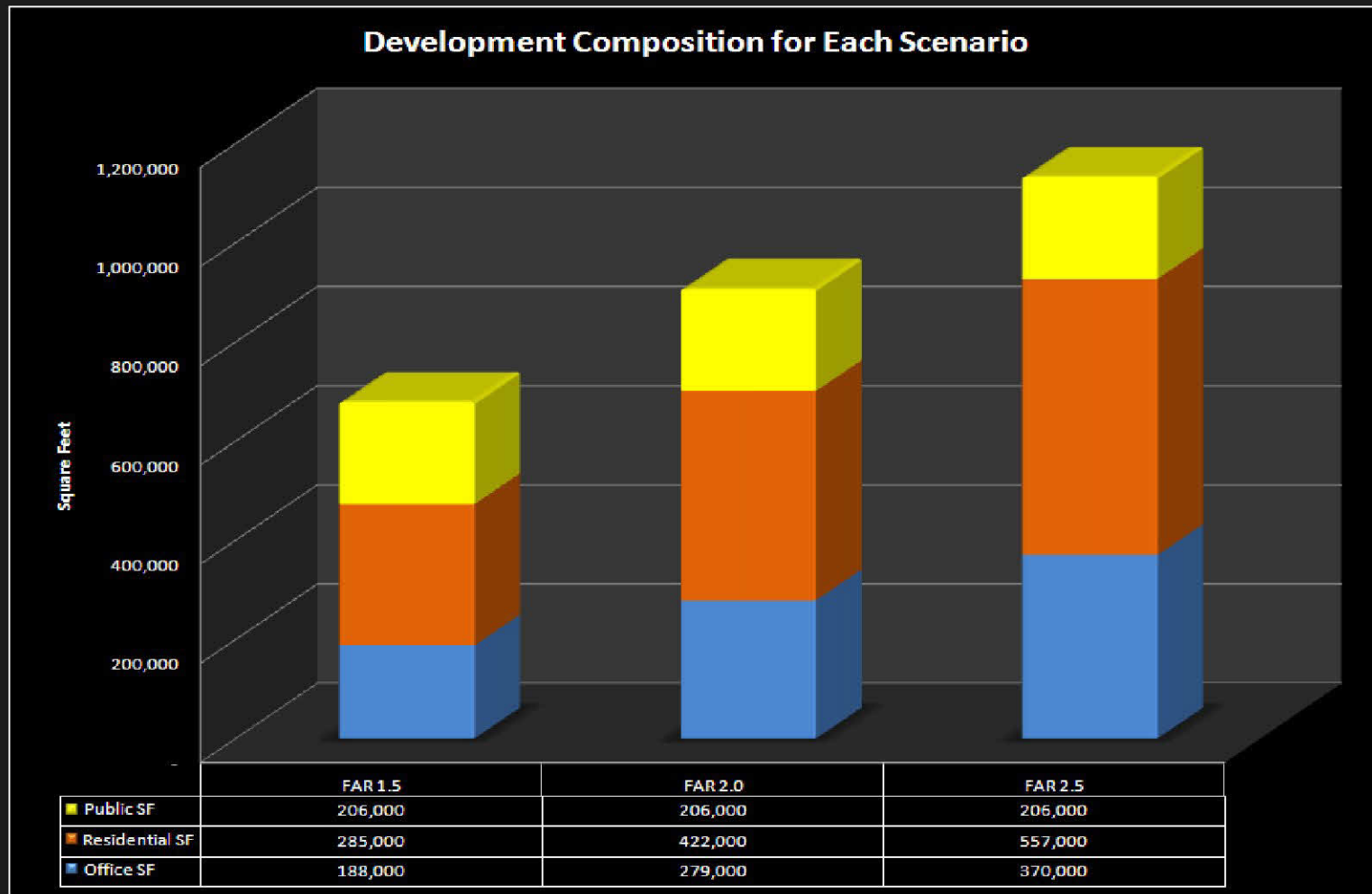
San Diego Civic Center

- Develop business case for new 400,000 SF Civic Center
- Manage RFP and Developer selection process

Results:

- Currently negotiating documents with developer

Economic Feasibility, Part I: Development Components

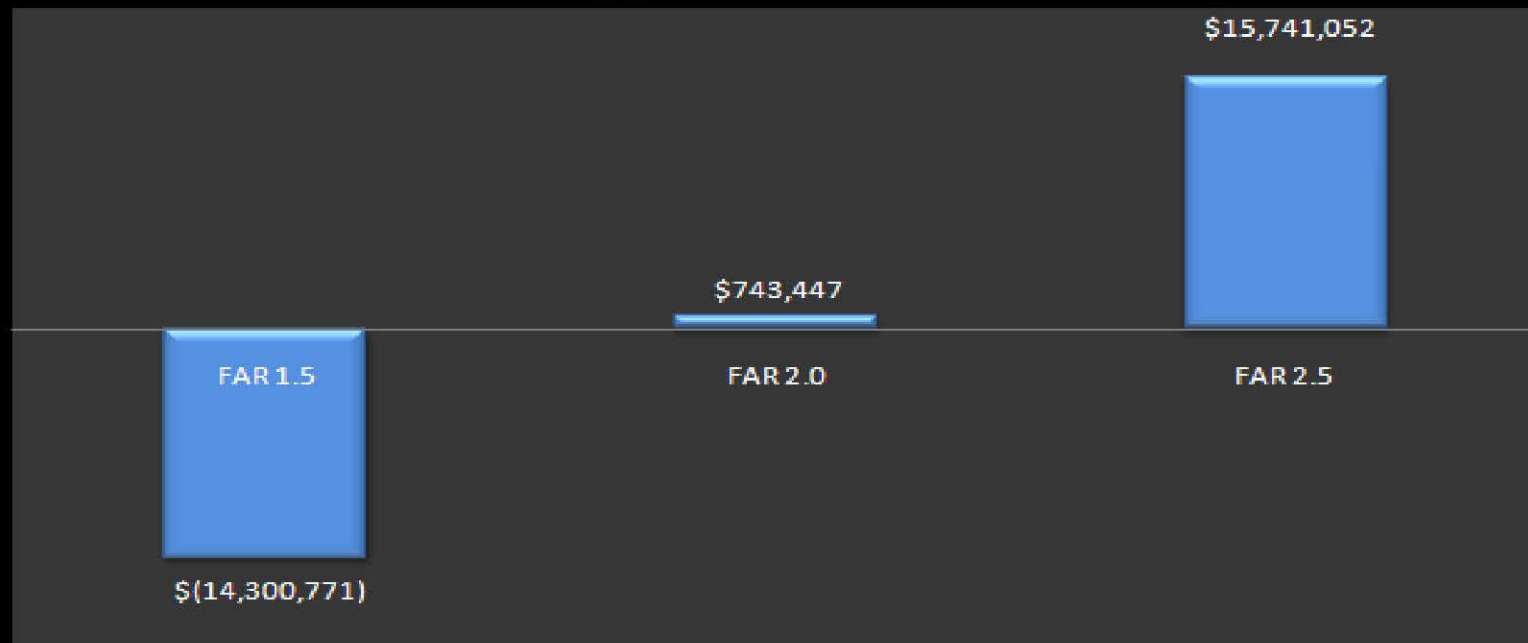


Assumptions

- Public elements capture current square footage plus ACPS administration building
- Private elements assumed to be 60% residential and 40% office
- Discount and interest rates of 4.5%
- Value of land lease increases by 1.5% per year
- Debt period of 30 years
- Land estimated value: \$45 per FAR for office space; \$65,000 per unit for residential space
- Current ACPS operating costs for 2 rental facilities are redirected to this site
- Preliminary estimates of construction costs
- Results shown do NOT include the ARHA /Jefferson Village property

Economic Feasibility, Part II: Surplus (Deficit) of Private Funds to Support Public Components

**Funding Available (Shortfall): Do the Private
Elements Support the Public Elements?**



Public Facilities Assumptions

Cost to Develop Public Elements			
(Preliminary Estimates Only)			
	Square Feet	Cost PSF	Total Cost
School	120,000	\$ 250.00	\$ 30,000,000
Administrative Office Building (Includes FFE)	55,000		\$ 14,299,000
Performing Arts Center	16,000	\$ 250.00	\$ 4,000,000
Natatorium	15,000		\$ 3,750,000
Contingency Fund			\$ 5,204,900
Total	206,000		\$ 57,253,900

- Plus ARHA replacement units, if ARHA site is included

Next Steps

• Initiate Public Outreach and Involvement

- Identify stakeholders
- Undertake community meetings and workshops
- Obtain input on:
 - Should Jefferson Village be included?
 - What level of density is appropriate for this location?
 - What public facilities do we want to include?
 - What will the private development include?
 - Assure compatibility with surrounding neighborhood with BAR and DSUP review

• Develop MOU for implementation and financing

• Evaluate Education Foundation and other financing alternatives

• Provide regular updates to Council and School Board on activities and status

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Questions